



U.S.-Korea Trade Agreement What's At Stake for Beef?

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The U.S.-Korea Trade Agreement (KORUS agreement) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future free trade partners. Korea finalized its trade agreement with the European Union (EU) in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, steadily erode.

With the Agreement ...

Under the KORUS agreement, Korea's 40-percent tariff on imports of beef muscle meats will be phased out in 15 equal annual reductions. The agreement includes a quantity safeguard trigger level of 270,000 tons for beef muscle meats in the first year, growing at a 2-percent annual rate to a final safeguard level of 354,000 tons in year 15. Korean imports below the trigger level in any given year will receive the preferential tariff rate negotiated under the agreement. In year 16 and beyond, when the tariff reaches zero for U.S. products, the safeguard provisions expire and will no longer apply.

Korean tariffs on beef offal also decline from their current 18- or 27-percent levels to zero through equal annual reductions over 15 years. No safeguard provision applies to beef offal during either the transition period or after tariffs reach zero.

The Trade Situation ...

Korea's full liberalization of its beef market in 2001, as a result of a World Trade Organization (WTO) Beef Dispute Panel report, opened the way for significantly increased imports, even with tariffs of 40 percent for beef muscle meats. Not only did Korea's total beef and beef offal imports increase, but U.S. market share did as well.

From 2001-2003, Korea was the third largest market for chilled and frozen U.S. beef muscle meats and accounted for 21 percent of the United States' worldwide beef muscle meat exports. During this

period, U.S. suppliers shipped an average of 182,800 tons, valued at \$569 million, to Korea each year. The U.S. share of Korea's total imports was 72 percent.

Korea was the fourth largest market for U.S. beef offal from 2001 to 2003, and accounted for six percent of U.S. beef offal exports. During this period, U.S. suppliers shipped to Korea an average of 18,493 tons, valued at \$33 million, each year. The United States held a 66-percent market share.

Korea banned U.S. beef and beef offal imports in December 2003, following the first bovine spongiform encephalopathy (BSE) case in the United States. In the meantime, Australia became the predominant supplier to Korea, with sales peaking in 2007 at \$683 million. The United States returned to the market in 2007 under the terms outlined below. In 2009, U.S. exports of beef and beef products totaled \$216 million, which represented 34 percent of Korea's total imports. Australia's market share has fallen from nearly 80 percent in 2006 to 55 percent in 2009.

The Current Market Access Situation ...

U.S. beef muscle meat faces a global WTO tariff of 40 percent, and beef offal faces 18- or 27-percent rates depending on the product. Following the detection of BSE in the United States, bilateral U.S.-Korea technical consultations and site visits resulted in Korea resuming beef imports from the United States in September 2006. The resumption was limited to deboned muscle meat from cattle under 30 months of age. The market soon closed again due to a shipment of product ineligible under the 2006 agreement. On April 18, 2008, the U.S. government announced that South Korea agreed to align its beef import policies with World Organization for Animal Health (OIE) recommendations for a controlled risk country. By allowing complete market access for U.S. beef and beef products from cattle of all ages, South Korea made a decision that is based on science and is in line with international guidelines.

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